

# *News and Information*

*From the Tennessee Division of Consumer Affairs*

*615-741-4737 or toll free 800-342-8385*

[www.state.tn.us/consumer](http://www.state.tn.us/consumer)

---

**For Immediate Release**

**April 26, 2001**

**Contact:**

**David McCollum**

**Chris Allen**

**Weekly Column by David McCollum, Director**

**Tennessee Division of Consumer Affairs**

**Volume 1, Issue 14**

## **Do Service Contracts Serve You?**

You've spent several hundred dollars keeping your old car running, and you still can't be sure it will get you where you need to go. Instead of winding up standing on the side of the road with empty pockets, you've decided to invest in another vehicle.

You do your homework, pick the make and model that's right for you, and work out a great price. Then the salesman sends you to the finance manager to ink the deal. If you *really* did your homework, you had your financing arranged before you set foot on the lot, so that part is quick and painless. Don't be caught unaware if the dealer suggests a service contract at this point in the process.

New cars generally come with a manufacturer's warranty which guarantees that the manufacturer will repair listed items if they break down within a certain number of years or miles, whichever comes first. A service contract may be offered from the manufacturer or an independent company, and generally covers parts over the course of greater number of miles or years.

The cost of a service contract may be a little as a few hundred dollars or as high as a few thousand, depending on the vehicle you're buying. If you expect to keep the car for several years or plan to put a lot of miles on it, this might be a good investment. You should read through the agreement *thoroughly* before making a decision, and be certain it will meet your needs.

The first factor to consider is whether or not the service contract duplicates coverage you already have with the manufacturer's warranty. If they cover the same items for the same years/miles, you are wasting your money.

Second, evaluate the exclusions in the service contract. Manufacturer's extended service contracts tend to have fewer exclusions than independent companies, but you should never assume any item is covered. Many service contracts state that if an item that isn't covered breaks down and that causes a covered item to break down, that damage isn't covered. Confusing, isn't it? Make sure the language in your contract is clear so that you know exactly what is covered and what is not.

If you have questions or concerns regarding service contracts or any other consumer issue, contact the Tennessee Division of Consumer Affairs at 1-800-342-8385 or visit [www.state.tn.us/consumer](http://www.state.tn.us/consumer).